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Ex-TRUers Eye Child World

By Laura Liebeck

CLEVELAND — An investment group that includes two former Toys "R" Us executives expects to purchase the 182-unit Child World toy chain by mid-April.

CNC Holdings, Child World's parent, signed a letter of intent with WC Acquisition Corp. Feb. 20 for its 82% equity in the toy chain in a non-cash transaction. The agreement also calls for a payment of \$2 per share, or \$24 million, for Child World's 2 million shares of publicly traded stock.

Leading the acquisition for WC Ac-

quisition are W. John Devine and Ronald E. Tuchman, both formerly of TRU.

Devine is credited with expanding the TRU franchise in California in the late 1960s and early 1970s and for spearheading the chain's expansion into foreign markets beginning in 1982. According to the purchase proposal, Devine was instrumental in designing the overall corporate structure of Toys "R" Us, including systems relating to store merchandising and operations, distribution and warehousing, buying, advertising and MIS. Having spent 17 years with TRU,

Devine retired as an officer and director of the chain in 1983.

Tuchman, currently an executive officer of the Toy & Sports Warehouse chain of five stores, spent 24 years with TRU, lastly as senior vice president/director of purchasing and an officer of the corporation. He was in charge of negotiating buying programs with vendors, all buying, merchandising, planning, open-to-buy projections, purchase order flow, return goods and imports.

In addition, Tuchman, with other executives, developed the purchasing system and theories that are currently

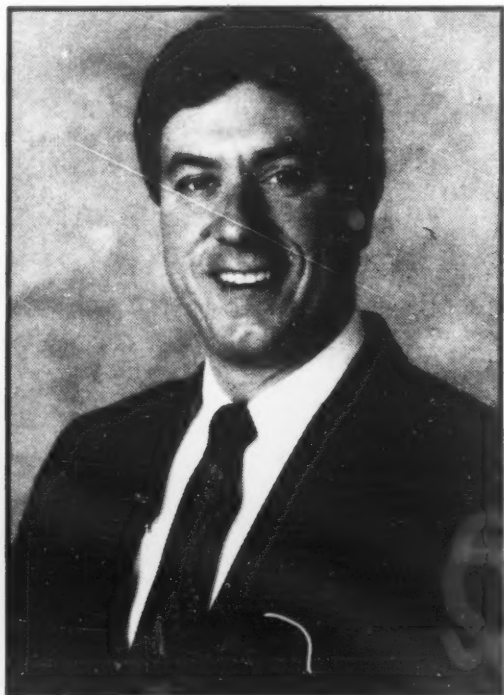
being used at TRU. And he was personally responsible for bringing video games and computers into the toy business in the early 1980s, according to his biography in the purchase proposal.

"I am pleased to be dealing with a company having the management strengths and toy industry experience to build on the Child World franchise," said Jeffrey A. Cole, chief executive officer of CNC Holding. "John Devine and Ronald Tuchman have over 50 years of combined experience in the free-standing retail toy business."

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Tony Dignum



Bob Sirkis

Shake-Up at Silo: Dixons Exec Assumes Top Post

By Pete Hisey

PHILADELPHIA — In a surprise move, Silo's British parent, Dixons, has lopped off the top management of the nation's No. 2 consumer electronics chain and replaced it with Dixons veterans. Former president and 18-year Silo veteran Barry Feinberg has been relieved of all executive duties, although he will remain with the company as an advisor and honorary chairman, as well as a non-executive director of Dixons Group.

The new president is Tony

Dignum, formerly Dixons Group financial director, who brings with him two other senior Dixons executives, Danny Hourigan, who will assume the post of senior vice president of retail operations, and Roger Salmons, who will serve as senior vice president of marketing. Both will report directly to Bob Sirkis, newly named executive vp, operations, who will evidently run day-to-day operations. Sirkis joined Silo late last year as senior vp of marketing, after a

(Continued on page 28)

Hills' Vendors Shipping

CANTON, Mass. — Fifteen of Hills' top 40 unsecured creditors formed a committee last month to negotiate with the chain during its Chapter 11 proceedings.

Led by Hasbro and Bankers Trust, the creditors committee is dominated by financial institutions.

Hill's Unsecured Creditors Committee

Hasbro
Handelman
Sara Lee
Tonka
American Greetings
Heller Financial
Bank of New York
State Street Bank
Fleet National Bank
Executive Life
Westinghouse Credit
Shawmut Bank
Equitable
Manufacturers Hanover
Bankers Trust

Source: Hills

Only five manufacturers—Hasbro, Handelman, Sara Lee, Tonka and American Greetings—and two factors, Heller Financial and Bank of New York, were appointed to the committee, formed Feb. 15.

Currently, the committee is in the process of selecting legal advisers and investment bankers to represent all unsecured creditors during Hills' Chapter 11.

During the Feb. 15 meeting, Hills said

that 1,200 vendors were shipping merchandise to the chain. More vendors are returning every day. "There is no major shipper that hasn't agreed to work with them," said a company spokeswoman.

Hills next hurdle was scheduled for Feb.

25 when company representatives were to appear again in bankruptcy court to gain access to the remaining \$150 million of DIP (Debtor in Possession) financing. The first \$100 million of the \$250 million DIP total was awarded Feb. 6. Hills filed for bankruptcy protection Feb. 4.

Prior to that date the discounter had been making some cost-cutting and belt-tightening measures to help strengthen the chain. Chief among those changes was the decision to close 28 underperforming stores, half of them former Gold Circle locations, a move that is almost complete.

Prior to that, in November, company president Stephen A. Goldberger resigned, succeeded by John Brouillard, the chain's chief financial officer.

Recently, Hills announced that John G. Reen, vp and controller, was promoted to cfo. Reen is a 15-year Hills veteran.

Two other personnel changes were recently announced: Virginia Rago, previously vp, merchandising systems, to senior vp, logistics and information systems; and Joy Ehmann, formerly assistant vp, merchandising systems, to vp, merchandise planning and control.

In other news, an existing refurbishment program is moving forward. Hills announced that the program—to feature a few prototypes later this year—will include building exteriors and parking lots in addition to store interiors.

Kmart May Claim BJ's, HomeClub

By Richard C. Halverson

NEW YORK — Unexplained spurts in the stock price of Waban, parent of BJ's Wholesale Club and HomeClub, have renewed speculation that it, too, will join the list of acquired warehouse chains.

Many analysts regard Kmart as the likely buyer. In 1988, Kmart acquired a half-interest in Makro, a hybrid of a warehouse club and a hypermarket, and later bought the

other half of Makro from its Netherlands-based founder.

In 1990, Kmart acquired Pace Membership Club, giving it a major presence in the warehouse club field. Then in January 1991, Pace acquired the 16-unit Price Savers chain, bringing the total to 77 units.

The acquisition of BJ's 27 units would put Pace within striking distance of Costco as the third largest warehouse chain in dollar volume and give

it a strong presence in the Northeast. Wal-Mart's Sam's Club division late last year acquired the 30 units of The Wholesale Club, Indianapolis, solidifying its lock on the No. 1 spot in total sales.

Price Club, which pioneered the concept, holds the No. 2 spot.

A Kmart spokeswoman declined to comment on acquisition speculation.

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MARKETWATCH

Wal-Mart Rated a 'Most Admired' Corp.

BENTONVILLE, Ark. — Wal-Mart Stores was among *Fortune* magazine's top 10 list of "America's Most Admired Corporations" for 1990, in the company of firms that supply the chain such as Rubbermaid, Procter & Gamble, 3M and Johnson & Johnson. The poll is conducted among over 8,000 senior executives, outside directors and financial analysts.

Ward Names DMB&B as New Ad Agency

CHICAGO — Montgomery Ward has named D'Arch Masius Benton & Bowles (DMB&B) as its new advertising agency, replacing Saffer Advertising, which had serviced the account since 1988. Bernard Brennan, Ward's chairman and ceo, said that "after a thorough review of several highly qualified [agencies], we determined that DMB&B offered the broadest array of services that would best suit our needs as we continue our aggressive growth into the 1990s."

Target's Gilpin Honored by Magazine

MINNEAPOLIS — Larry Gilpin, senior vice president of Team, Customer and Community Relations for Target Stores, was recently named 1990 Human Resource Executive of the Year by *Human Resource Executive* magazine. The magazine recognizes excellence and leadership among human resource professionals. Gilpin was praised by the magazine's publisher, Alan Novak, for "making Target a 'Fast, Fun and Friendly' place for employees and customers." Gilpin was specifically cited for his success with Target University, an off-site employee training program fashioned after Walt Disney's Disney University, and Let Me Know, an ongoing program for open communication between employees and top management.

Hills Raises Special Olympics Funds

CANTON, Mass. — Employees of Hills Department Stores raised \$114,894 this year for the Special Olympics campaign. Recently, employees at 14 Hills stores contributed \$30,544.06 to the campaign. The 1990 contributions were a record for Hills, the company said. Hills has participated in Special Olympics fundraising for eight years.

Rose's Outlook Not Rosy After Fiscal '90

HENDERSON, N.C. — In a gloomy preliminary year-end report, Rose's Stores announced lower than expected income and flat sales for fiscal 1990, suspension of dividends, a series of store closings in 1991, and continuing margin erosion. The company reported that sales for the four weeks ended Jan. 26, 1991 decreased 13% to \$67.4 million, and simultaneously announced that it will close "approximately" 25 stores in the coming year. The sharp sales decline was credited to a change in the year-end date, resulting in fewer days within the period; January 1991 sales were based on 28 days instead of 30 days. On a comparable day-to-day basis, sales were essentially flat, edging up 0.3%. The company has suspended payment of dividends "until future operating profits warrant reinstatement." Fiscal 1990 saw continuing erosion of gross margin, brought on in part by heavy promotions in the fourth quarter. Sales were up 1.2% to \$1.5 billion, but earnings, which have not been released, were described as "significantly less than 1989 earnings" stemming from "lower than planned sales and margins."

Brendle's Promotes Luka to Top Spot

ELKIN, N.C. — Brendle's has promoted Steven W. Luka to vice president and general merchandise manager of the 57 showroom chain from divisional vice president of hard lines merchandising. He will be responsible for coordinating all of the cataloger's jewelry and hard lines merchandising activities. Luka was recently honored by the National Association of Catalog/Showroom Merchandisers with its Bettye J. Lewis Award.

Jan Bell Marketing to Supply Pace, Sam's

SUNRISE, Fla. — Jan Bell Marketing has signed agreements to supply jewelry, watches and other merchandise to Pace Membership Warehouse and Sam's Wholesale Club. The Pace deal runs for six years and calls for Jan Bell to expand its department to all Pace stores, exclusively supplying them with jewelry, watches, fragrances, writing instruments and sunglasses. The two-year Sam's agreement positions Jan Bell as the primary supplier of jewelry, watches and fragrances all to the chain's stores during that period. Last summer, Jan Bell and two other wholesale clubs, Price Club and Costco, ended their relationships.

48 Towers Due for Remake

Parent Company Plans Revamp to Zellers' Format

MONTREAL — Zellers plans to complete the conversion of 48 Towers stores by April 17, according to John Urie, executive vice president.

All but three of the original 51 Towers stores acquired by Zellers' parent, The Hudson's Bay Co., from The Oshawa Group, last October are currently being renovated to conform to the latest Zellers prototype. Urie projected that sales at these stores will rise substantially. "We expect these stores to show double digit percentage increases," Urie noted. The conversion will bring the total number of Zellers stores to 266.

While the total cost of the renovation was not disclosed, at the time of the acquisition, Gary Lukassen, executive vp and chief financial officer at Hudson's Bay, estimated that it would run into "several hundred thousand [(dollars)] per store."

The renovations are extensive, involving fixtures, aisles, decor and entrance location.

"The front purchase pathway needs to come out from the main entrance," Urie said. "In very few instances, entrances will need to be changed."

The simultaneous conversion of 48 stores is said to be manageable for the chain because, "We've had a lot of experience renovating many of

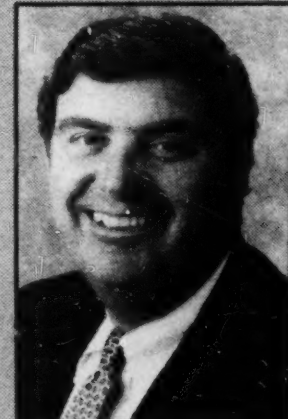
our own stores," Urie said.

Consumers are being prepared for the changeover from Towers' to Zellers' format by advertising circulars promoting a "Renovation Sale."

One of the remaining three Towers will become a The Bay department store; the fate of the other two is up in the air.

Peter Hayes Takes Helm Of Family Dollar Stores

MATTHEWS, N.C. — Discount industry veteran Peter Hayes has joined Family Dollar Stores as president and chief operating officer, and also as a member of the chain's board of directors. In his new position, Hayes takes charge of 1,692 Family Dollar stores in a 27-state territory, and reports to Leon Levine, chairman and chief executive officer.



Peter Hayes

Levine noted that Hayes is well equipped to assume the post, bringing to the company "strengths in merchandising, both soft goods and hard lines, and operations."

Hayes had resigned as president of Child World last January, having held the position with the toy retailer since June 1988. His extensive retail background includes Gold Circle where he was chairman and chief executive officer and Hills Department Stores, where he was senior vice president and general merchandise manager.

Jamesway Exec Team Shuffle Continues

SECAUCUS, N.J. — Jamesway Corp. has added three new members to its management team. This makes a total of five new appointments at the 132-unit discounter in the last few months.

The newest members of the Jamesway team include:

- Paul Roth, senior vice president and general merchandiser in charge of soft lines. Previously, he was senior vice president of Macy's Southeast.
- Jane Greenspan-Sims, divisional merchandise manager of the ladies' sportswear division. She had been divisional merchandise manager at Macy's New York.

- Joseph Kassa, director of advertising and sales promotion. He was formerly director of advertising at Consumer Distributors.

According to a company release, the appointment of a new president to succeed Arlie Lazarus, who left last year, is imminent.

Jamesway has been struggling with poor sales performance and recorded a decrease of 4% in same store sales for the last quarter ended Feb. 4, 1991. Unlike other troubled retailers, however, Jamesway is not heavily laden with debt. Herbert Fisher, chairman, noted that "with our new management team in place and our strong balance sheet, Jamesway has bright prospects for the future."

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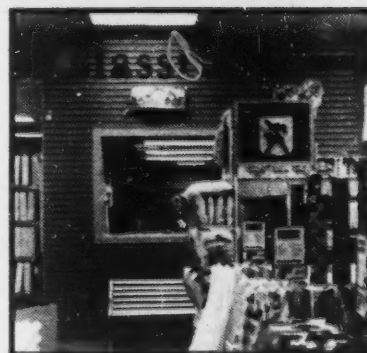
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APPAREL MERCHANDISING

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EDITORIAL

Differentiation Can Cut Two Ways

Differentiation is often like a fatal attraction. As many retailers strive to be different, they are attracted to ideas and concepts with which they should not become involved. They get caught up in the heat of the moment, so to speak, and fail to see the downside of what on the surface appears to be a great idea. In some instances, this great idea alters a retailer's core philosophy and leaves the customer confused.

Sears is a perfect example. Attracted by the sexiness of an everyday low price strategy, Sears jumped into this strategy without considering its long-term impact. Remember how the chain lowered prices on 50,000 items, guaranteed low everyday prices and virtually eliminated its very successful sales and promotions? Sears even resorted to one of the tackiest gimmicks—Scratch and Save—that I have seen in recent years just to avoid using the beloved four-letter word—sale. Now, Sears is being taunted by a strategy it fell in love with and it cannot find a way to gracefully end the relationship. The net result is this: Customers are confused and embittered, and the chain is floundering.

Because discounting is in many ways a name brand, commodity-driven business, differentiation is very difficult for many retailers—even Wal-Mart—to achieve. The Bentonville, Ark., retailer has successfully used the everyday low price strategy to differentiate the chain from the pack. It worked for Wal-Mart because it was a way of doing business from the time the chain was founded. Sears tried to change a complex, deeply rooted philosophy overnight. Wal-Mart has also tried other things to differentiate the chain, such as its Buy American program. While Wal-Mart has been able to achieve differentiation, particularly in hard lines, it has not been product or brand driven, but based on business strategies.

The bottom line is that differentiation in hard lines is very difficult. That's why so many retailers have focused on soft

lines to achieve this elusive goal. Discounters are scrambling for soft lines supremacy and this strategy will intensify through the 1990s.

Remember the recent popularity of the shop-within-the-store concept—pioneered in discounting by both Gitano and Caldor? It's still going strong and has helped Caldor and other retailers generate excitement and more importantly traffic in its stores. However, the downside is overemphasis and dependence on one brand which alters the mix and hinders flexibility in the fickle fashion business.

Kmart has attempted differentiation through its savvy marketing tactics. Through its celebrity spokespersons (particularly Jaclyn Smith and, more recently, Rachel McLish), the discounter has tried to establish strong identity, exclusivity and continuity.

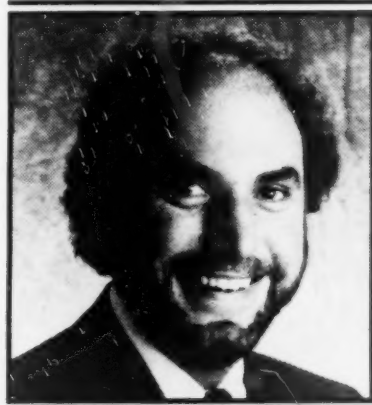
Most recently, Target announced an exclusive agreement with Merona to develop a full line of sportswear for men, women and children. In addition, the collection will be merchandised in an in-store shop concept. Formerly a strong department store brand, Merona is Target's first established brand name.

"Merona is another important step in our desire to differentiate our product offering from our competitors," said Gregg Steinhafel, Target's senior vice president and general merchandise manager of soft lines.

On one hand the opportunity to merchandise a "department store" label is a coup for Target, but on the other hand, one wonders if it is a fatal attraction. Does it fit in with Target's product mix? Will it enhance customer appeal? Or will it alter the chain's image?

I envision many more department store brands like Merona trickling down to the mass market in the next few years. The key for discounters is to be patient, particular, and pick what's right for their customers.

Differentiation is a critical competitive advantage in the 1990s. Don't let it become a fatal attraction.



TONY LISANTI
Editor

BUYERS & SELLERS

DSN Gears Up For State of the Industry

A quarter of the way into the new year, 1991 is shaping up as a year to remember. The predicted recession has already taken its toll on a number of chains and financially ailing manufacturers are in a quandary over whether to continue to ship merchandise to other tottering retailers. But, if history provides any insights into what to expect in the future—and there is no guarantee that it does—then I anticipate 1991 will be filled with the usual share of success stories and failures.

DSN has been recording the history of the discount industry for the past 29 years. It's seen the ups and it's viewed the downs. Each year, DSN's annual State of the Industry report, which in the mid-'80s was split into two issues in order to accommodate the voluminous amount of information presented, becomes the almanac that chronicles another year in the history of discount retailing.

For those of you who are hooked on the concept that history is a precursor of things to come, here's a choice morsel: Only two of the top 10 chains of DSN's list of leading discounters 10 years ago are still among the top 10 discount chains today. How you interpret that fact illustrates a lot about the power you have to shape your future. If you think that is an indication that the discount concept is dying, that eight huge industry-leading chains of 10 years ago have fallen by the wayside, then you are likely to be extremely nervous about the coming year.

I prefer to think that eight chains have honed their operations, merchandising and marketing strategies over the past 10 years to climb to positions of eminence among retailers today. I expect that in 10 years, the top 10 list of discounters will barely resemble today's—and I view that as good news!

DSN has begun to assemble its yearbook on the 1990 discount retail industry. As in past years, DSN will publish the only list of the top 150 discount chains, both public and privately held. Unlike attempts by other publications at looking at the discount industry, DSN's State of the Industry report

provides a wealth of information in addition to the chain's sales results. DSN's Top 150 list includes year-earlier sales, operating income (both 1990 and 1989), and number of stores (last year, the previous year and the total projected by the end of the current year).

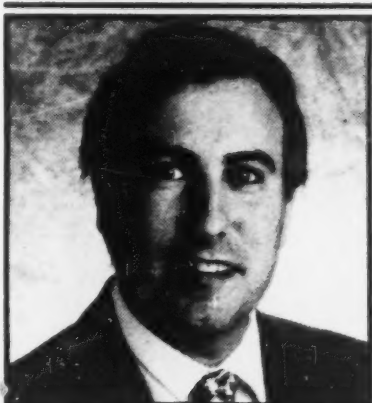
The State of the Industry report also provides an accounting of the year's major mergers, acquisitions and leveraged buyouts. Separate charts identify the major segments of the mass market discount industry, listing the top chains among full-line discount department stores, membership warehouse clubs, catalog showrooms, CE chains, toy chains, auto parts chains, sporting goods chains, hypermarkets, dollar discount chains, closeout goods chains, off-price apparel chains, and office supply megastores. There will also be breakouts on the leading variety store chains, deep discount drug stores and DSN's second annual census of leading Canadian discount retailers.

Whew! And, there's more. Who led the industry in dollar sales growth? How about percentage sales growth? Who was most profitable on an operating basis? Whose operating income grew the most in percentage terms? And, what about store count growth? DSN's State of

the Industry report has it all. And, that's just in Part I: Chain Analysis. In the next issue, DSN takes a look at the sales and productivity of 18 major departments in the full-line discount store. Part II: Merchandising Analysis is just as valuable.

So, keep an eye out of the July 22 and Aug. 5 issues of DSN and please have patience with our staff of editors and reporters who will be communicating with you over the next few months to gather data for these special issues.

Finally, if there happens to be a statistical measure that is not covered by the State of the Industry reports Parts I or II, please give me a call or fax me your suggestion. I promise that DSN will do its best to provide accurate and substantive information about the discount industry. Call 212-371-9400, ext. 227 or fax 212-980-8574.



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Exec Editor

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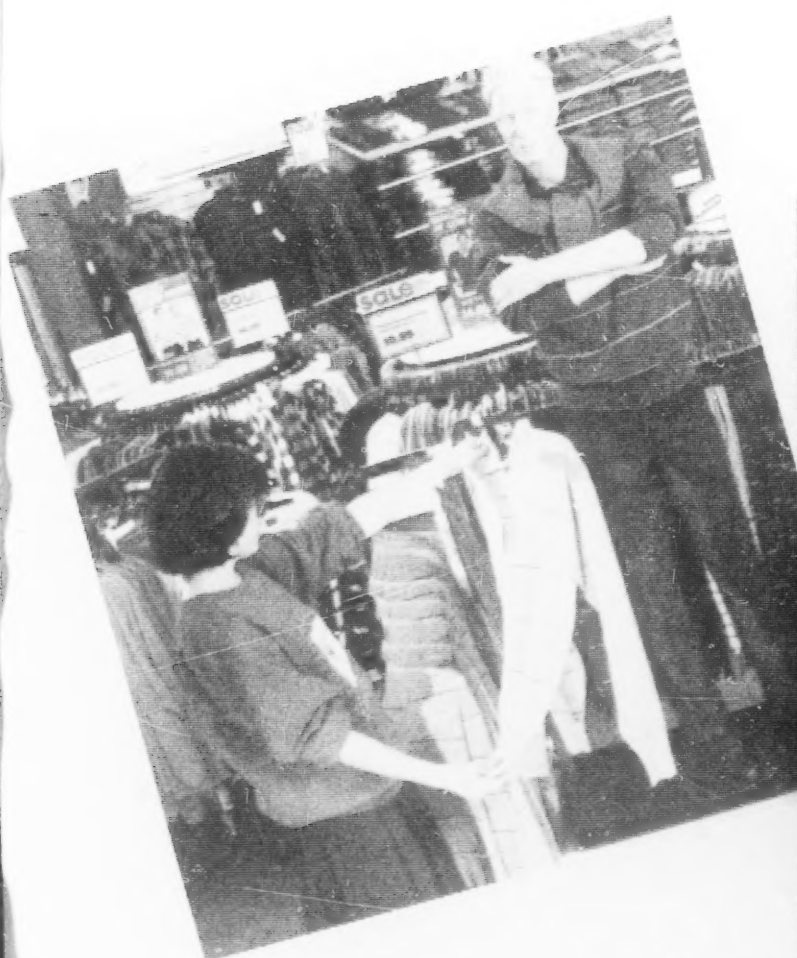
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Shopping expectations



With "caution" the consumer credo, and even the Federal Reserve calling the current economic state recessionary, it is critical that retailers understand their men's wear customers.

Merchants certainly need the ability to predict—or at least make an educated guess at—which fashions will lure the buying public into their stores. But in a world that continues to grow more competitive, they've also got to understand what consumers like and dislike about shopping in general.

What motivates specialty store shoppers to make their purchases in these outlets? What do men's wear customers find compelling about the mass merchants?

Department stores are favored by close to half of all shoppers

Where do you shop most often for men's apparel?	Total	Age					Income			Region			
		18-24	25-34	35-49	50-64	65+	Under \$20K	\$20K-\$39.9K	\$40k +	East	Midwest	South	West
Department store	45%	52%	49%	55%	30%	33%	37%	43%	55%	41%	39%	49%	53%
Specialty store	16	25	16	14	18	12	15	15	22	20	19	12	15
Discount store	14	6	10	15	20	15	17	18	5	12	17	14	11
Sears	13	6	11	7	23	18	15	15	8	14	11	15	10
Off-price store	3	2	5	2	4	2	3	3	2	5	4	3	—
Catalog/mail order	3	1	2	5	3	3	2	2	5	2	3	2	5
Montgomery Ward	1	—	3	1	1	1	2	2	1	2	1	1	2
Other	2	4	1	—	1	5	3	—	1	1	3	1	3
Do not buy clothing	2	3	1	1	—	11	5	2	—	2	3	2	1
Don't know	1	1	2	—	—	—	1	—	1	1	—	1	0

Source: The Gallup Organization for AM

Abundant apparel selections attract most men's wear customers, although discount shoppers say price is the lure.

Abundant apparel selections attract most men's clothing customers to the stores they most often frequent, according to an exclusive study by the Gallup Organization for *Apparel Merchandising*. More than 36% of the 1,007 men and women who participated in the survey say the quality of assortments bring them into their stores of choice.

However, among those who most often shop for men's wear at discount stores, price—this won't come as a surprise to Sam Walton—is the number one response. Nearly 77% of those who usually purchase men's wear in discount stores say that they do so because

Assortments are key to shoppers' choice of store

Why do you usually shop in the store in which you most often make your men's wear purchases?	Total	Age					Income			Region			
		18-24	25-34	35-49	50-64	65+	Under \$20K	\$20K-\$39.9K	\$40k +	East	Midwest	South	West
Good selection	36%	52%	34%	35%	34%	30%	34%	34%	42%	34%	35%	36%	41%
Best value/price	29	17	33	28	31	32	35	31	21	30	27	33	25
Convenient location	15	10	16	17	13	14	13	17	14	14	16	15	13
Better quality	7	5	8	5	9	6	7	7	7	9	5	9	3
Easy to shop	6	7	6	5	4	7	6	4	6	5	7	5	6
Best size/fit	5	2	7	5	8	3	4	5	7	6	6	2	7
Service	3	4	2	4	1	6	2	2	6	3	4	2	5
Like store	2	4	1	3	1	1	1	3	2	2	3	1	3
Name brands	2	3	2	2	3	1	2	2	2	3	1	2	2
Have charge card	2	2	2	1	2	1	3	2	1	1	1	3	2
Habit/always go there	1	—	1	1	1	—	—	—	2	1	1	1	1
Other	2	2	—	3	4	2	2	3	2	2	2	2	3
Don't know	4	7	5	2	2	5	4	4	2	4	3	4	3

Source: The Gallup Organization for AM. Percentages add up to more than 100% due to multiple answers.



they believe these outlets offer the best prices.

Only 24% of the department store customers—the largest group of men's wear buyers, according to the study—shop at these operations because they believe department store prices are the best.

Price is definitely not what draws specialty store customers. Less than 10% of this group say that they shop in these operations because of price. Rather, it is quality of assortments that attracts the specialty store shopper.

More than 54% of those who claim that they usually buy men's wear at specialty stores cite the merchandise mix as the reason that they shop there. About 39% of the self-proclaimed department store shoppers answer in kind, while 33% of the Sears customers say selection is the draw. Near 40% of those queried who usually shop in off-price operations say they do so because of the assortments. Only 9% of discount store customers mention selection as the draw.

This doesn't mean that discount stores' efforts to revamp their apparel areas are wasted, although the results do suggest that the current discount store consumer would be much more apt to buy fashion, as it's said in the market, "at a price."

Price and selection play obvious roles in attracting shoppers. So, apparently, do brands. Approximately 55% of the survey participants "always" or "usually" buy brand-name items.

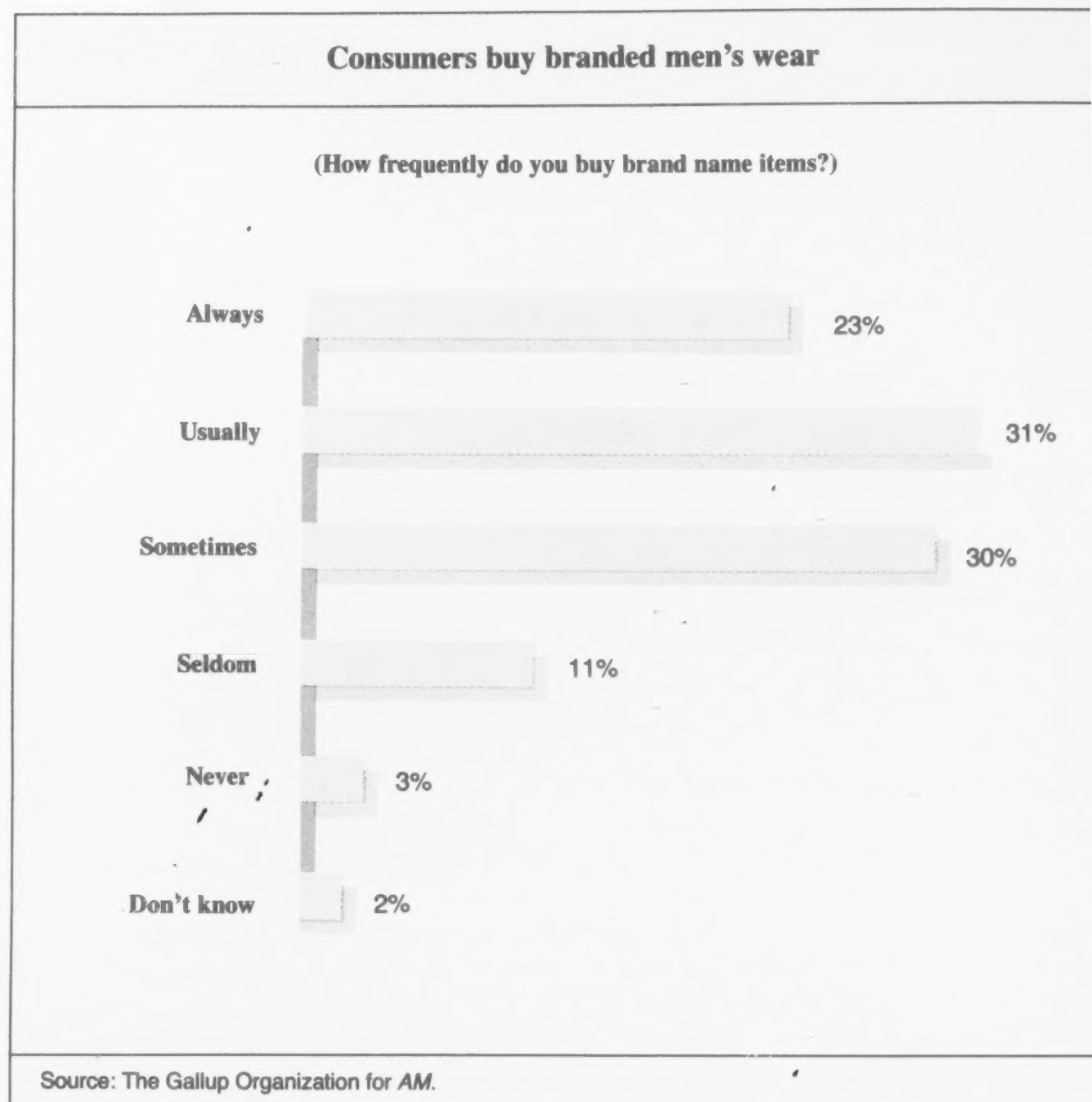
Amateur apparel psychologists have often speculated that the follow-the-leader mentality of many young people leads to the fashion trends or popularity of the label-of-the-moment. It may be inferred from the result of the study that this view is correct. According to the report, 77% of those in the 18-to-24 age group always or usually buy brands. By comparison, 53% of the baby boomers, 25-to-40-year-olds, are apt to buy brands.

In terms of income, participants in households generating \$40,000 or more

annually are most likely to buy brands. A total of 63% say they always or usually buy branded goods. About 54% and 52% of those with earnings of \$20,000 to \$39,000 and below \$20,000 a year, respectively, claim to always or usually pick up a label when they shop for men's wear.

On a regional basis, it is shoppers in the South who are most likely to purchase branded men's wear; 57% in this group always or usually buy brands. In the Midwest, 55% say they always or usually seek the labels, while 53% in the East and West are likely to buy branded merchandise.

Well-known labels, stylish merchandise, and price tags influence consumer decisions, but once inside the store,



what aspects of customer service are applauded by men's wear shoppers?

Interestingly, self-service, the modus operandi of the discount store, is judged important by a large percentage of respondents. It is most appealing to 18-to-24-year-olds, as 77% of this group say it is "very" or "somewhat" important that they are able to shop

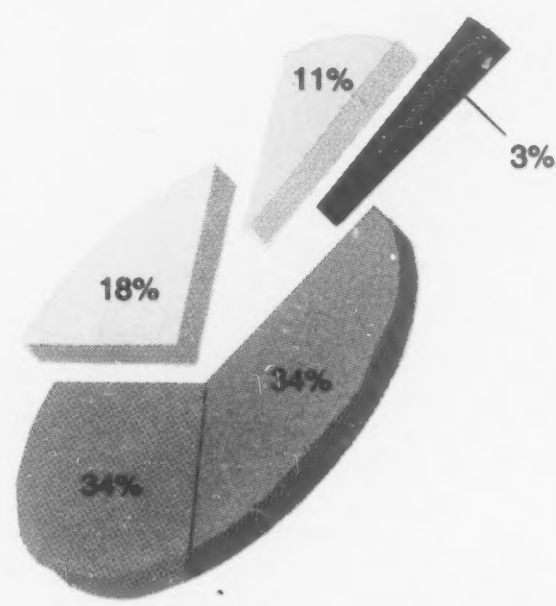
without assistance from salespeople.

These results are in a sense ironic. Although this group embraces the self-service concept, the study shows that its members are least likely to make their men's wear purchases at discount stores. Only 6% mention these types of outlets as the places they most often shop for men's apparel. ►

Service counts when shopping for apparel

When shopping for men's clothing, how important is it that...

You are able to shop without assistance



Very important

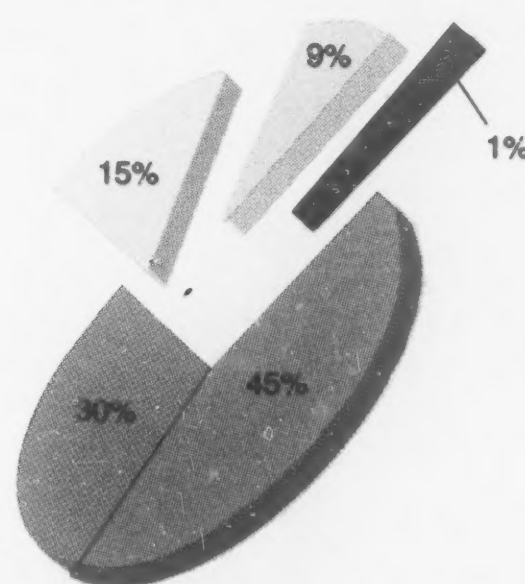
Somewhat important

Not too important

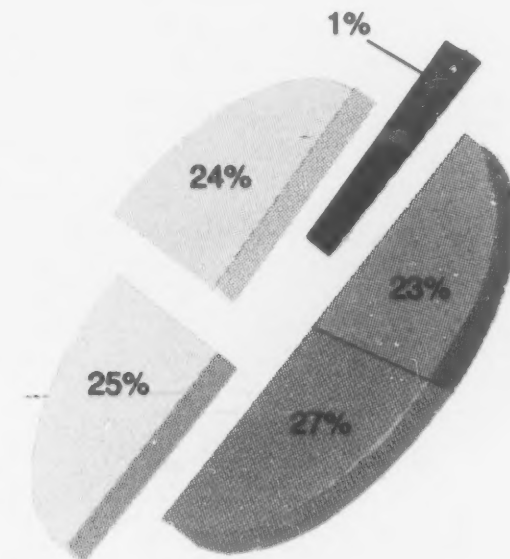
Not at all important

Don't know

There are sales people available to provide you with information on merchandise locations



There are sales people available to help you make purchasing decisions



Source: The Gallup Organization for AM.

It must be noted, however, that the younger respondents don't stand alone. Nearly 68% of the total men and 67% of all the women surveyed say it is important to be able to shop without assistance. About 70% of the shoppers that are 25 to 40 believe self-service is important.

In terms of income, being able to shop without assistance is least crucial to those in \$40,000-plus households. Nevertheless, 61% in this group still say it is important that they are able to find merchandise themselves. A total of 69% in the \$20,000-to-\$39,999 group and 75% in the under-\$20,000 income sample agree.

While the ability to shop unaided is considered attractive to most shoppers, that doesn't mean they don't want at least a minimum of *potential* sales help.

Of those queried, 75% say it's important that there are salespeople available to provide information on merchandise location. Older men's wear customers apparently place a premium on the availability of in-store directions. More than half, 51%, of the 50-to-64-year-olds, and 55% of those 65-and-older believe it is "very" important for stores to have salespeople available.

Only 40% in the 18-to-24 group answer in kind, while 42% of the 25-to-34 and 35-to-49-year-olds say directional help is "very" important.

But fewer want customer service that extends beyond the basics. About 50% think it is important that stores have salespeople available to help make purchasing decisions.

It is noteworthy that those in the lowest income group—with household incomes under \$20,000—want more intensive customer service. About 61% of these men's wear shoppers say that having salespeople available to help them make up their minds about buying items is an important part of the shopping experience. Only 48% of those in the \$20,000-to-\$39,000 group and 45% whose income is above \$40,000 say this kind of service is important.

A total of 54% of the participants in the Midwest and South say they think this kind of service is important, while 52% in the West see it that way. Help with purchasing decisions is least important to men's wear shoppers in the East, where 44% say it's important.

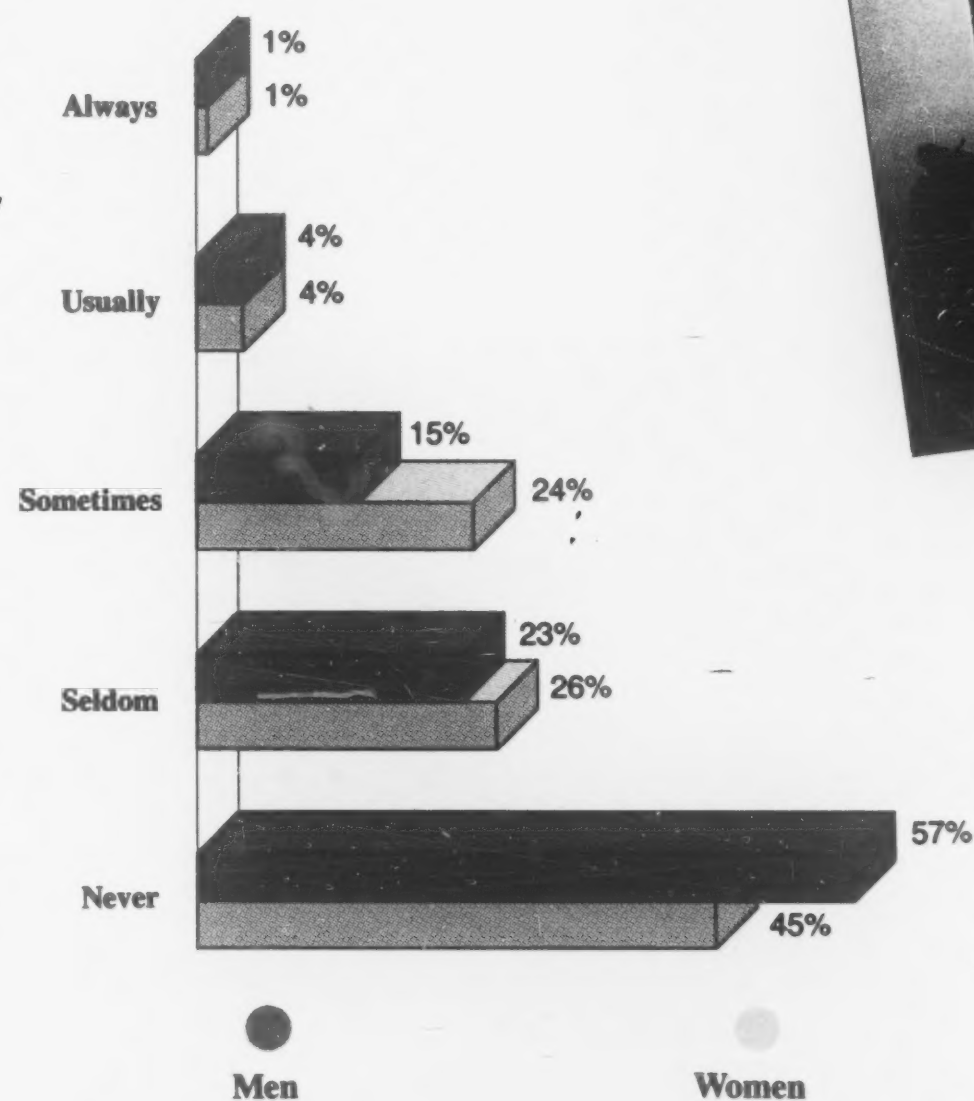
Retailers may be able to judge the level and type of customer service that best suits their shoppers, but they've also got to be able to size up the competition, which doesn't only come in the form of other stores.

While very few men's wear customers, 1%, say they "always" make their men's apparel purchases through catalogs or mail order, a sizable portion do choose to buy through this alternate method at certain times.

Women buy by mail more often than men. Nearly 29% of the 35-to-49-year-old women in the survey use mail order or catalogs "sometimes," and 2% in

About a quarter of shoppers sometimes buy men's wear by mail

Men are less likely to buy through catalogs



Source: The Gallup Organization for AM.

Broken sizes frustrate shoppers

What do you dislike most about shopping for men's clothing?	Total	Gender		Age				
		Men	Women	18-24	25-34	35-49	50-64	65+
Lack of size	13%	12%	15%	14%	15%	14%	12%	13%
High prices	10	13	7	15	12	8	8	9
Poor selection	8	6	10	12	12	6	5	5
Poor fit	7	4	10	8	7	7	5	6
Going to a store	6	9	2	1	5	8	8	7
Pushy salespeople	6	9	2	9	5	6	6	4
Not knowing what the intended wearer likes	5	—	11	7	4	6	4	3
The time it takes	5	8	—	3	5	6	4	2
Finding what I like	4	3	5	9	4	4	2	2
Crowds	3	5	—	3	4	3	3	—
Lack of service	3	4	1	1	1	4	4	4
Style	2	3	2	2	3	3	2	2
Waiting in line	2	3	1	6	1	2	1	2
Color selection	2	2	2	3	1	2	2	2
Trying on clothes	1	2	—	—	2	1	1	1
Boring	1	—	1	1	2	1	—	—
Other	13	12	13	8	12	14	14	11
Nothing	21	18	26	11	16	22	30	26
Don't know	8	8	8	9	7	5	6	16

Source: The Gallup Organization for AM. Percentages don't add up to 100% because of multiple answers.

this age group "usually" shop by mail. About 24% of the total distaff side purchase men's wear that way "sometimes."

Men as a group are more prone to make their purchases in-store. Only 14% of the males surveyed say they shop by mail "sometimes." The most likely to purchase through the mails, like their female counterparts, are in the 35-to-49-year-old group, where 18% "sometimes" take the catalog route.

Those in the higher-income group are much more likely to shop catalogs and mail order; 32% of the women in \$40,000-plus households and 24% of the men in this economic group send away for apparel "sometimes." This doesn't necessarily mean that lower-income people aren't potential catalog customers. It may simply reflect the fact that higher-income groups receive more mail order offers.

It doesn't come as a surprise that those who purchase through the mails list "convenience" as the primary reason. Almost a quarter, 24% of the total sampling, say that is why they make their men's wear purchases out-of-store.

As baby boomers and others in their peak earning years continue to spend more time with their growing families or on the job, it has become increasingly difficult for retailers to woo them into their stores. Add a shaky economic environment and the possibility of an extended war in the Middle East, and the problem becomes even more troublesome.

Merchandising executives will have to use as many tools as they can handle to stay on the tightly contested mercantile playing field. Understanding customer shopping expectations is akin to reading the rules before starting to play the game. ▲

APPAREL

Women's • Men's • Children's • Hosiery • Jewelry & Accessories • Underwear • Intimate Apparel

Fashion a Giant in Big & Tall

Larger Men Want Better Selection And Discounters are Responding

By Marie A. Peluso
Nationwide DSN Report

Fashion seems to have taken over big & tall in a big way. No longer are men of larger sizes confined to just the basic essentials in wardrobe: Today's bigger and taller man wants more selection from which to choose.

Big & tall men's wear accounts for approximately 10% of total men's wear sales, according to Jeff Yunis, president and executive director of Specialty Trade Shows, New York. Within the big & tall category, discounters are responsible for 58% of sales.

Capitalizing on this trend, discounters and other retailers have adjusted their product lines as the fashion aspect gains a more prominent role in consumer needs.

Yunis noted that sales of big always fare better than tall because it's easier to hide height than weight. "What's hot, you'll see at the shows—in size 60," he said.

George Tepper, president of Bond Street Suspender & Belt Corp., Brooklyn, N.Y., added, "They [big & tall customers] want to be dressed just like a person who is 5'11". They want to be dressed just like the person who is 175 pounds."

To accomplish this, the manufacturer explained, accessories like ties, belts and suspenders need to be slightly wider and/or longer to balance out or normalize the appearance. "We want to give them some styling," he said.

For instance, Tepper said, Bond Street Suspender & Belt Corp., a division of the leather house Bond Street Ltd., had

previously made one "basic" black belt.

The company's selection has since evolved. For the last 15 to 20 years, the 57-year-old firm has made belts, ties and suspenders in big & tall sizes.

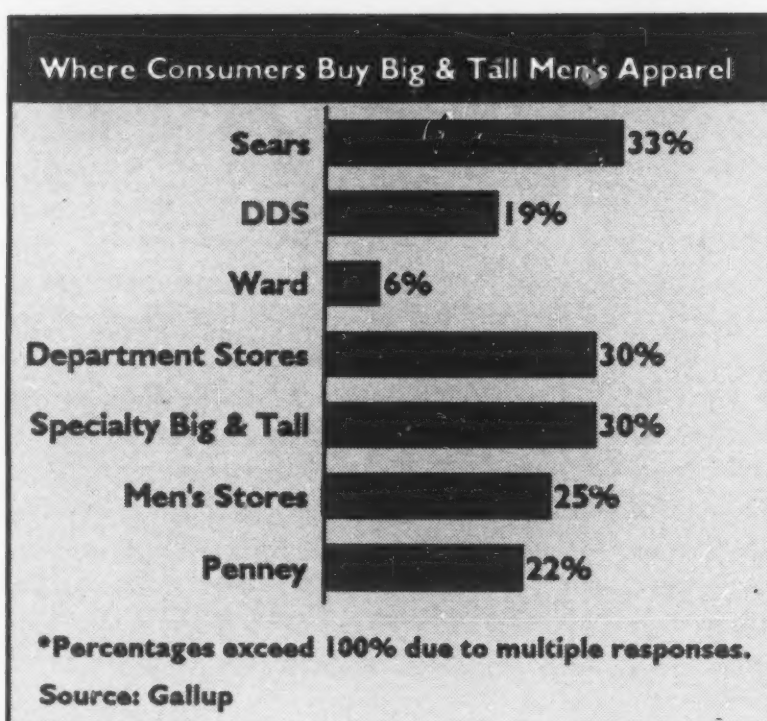
Now, belts for big and tall men, are between 1/4-inch and 1/2-inch wider than the standard 1-inch belt. They also go up to 64 to 66 inches long.

Ties are longer too, and prints of all kinds are popular, including golf, tennis, horse racing and ducks. Floral print ties are the hottest sellers among the larger set, just as they are among the general male population.

Suspenders, usually 1 1/8-inches wide for regular sizes, are 1 1/2-inch to 2-inches wide for the big & tall market. However, Tepper pointed out that the Wall Streeters are already wearing them 1 1/2-inches wide, so there isn't much difference in big & tall accessory sizes compared to those used by this consumer of regular men's accessories.

The company sells to both upscale department stores and mass merchants. Bond Street Suspender & Belt makes accessories for such discounters as Alexander's and Conway.

McGregor Maximum, Fashions for Big & Tall Men is McGregor Corp.'s category



contender. It entered the mass market about four or five years ago. McGregor makes sweaters, pants, outerwear, tops and bottoms and the label carries much cross over merchandise from the manufacturer's regular sized men's wear to the big & tall. Although the sizes vary for different garments, the average size of Maximum range from 46 to 2X and 3X.

Sales of big & tall sizes are, said McGregor vice president Leonard Wilk, "strictly a plus sale. [The category] doesn't replace any other business." Although the category had been "neglected," in the past, the customer now gets more styling and more selection. "The needs [of the category] demanded the same kind of fashion approach," said Wilk.

Discounters arrange Maxi-

mum garments—like other labels they carry—either as extensions of the regular sizes or within a separate big & tall department. Either way, said Wilk, the big & tall customer remains "more loyal than the average customer."

According to a recent study by The Gallup Organization, 382 out of 2,019 respondents, or 19%, were purchasers of big & tall men's clothing, i.e., men's wear in sizes larger than extra large

or extra long. Adults between 18 and 24 are most apt to purchase big & tall apparel, at 24%, while adults over 65 years (13%) are least likely to purchase this category.

The study showed that discounters accounted for 19% of big & tall men's wear sales. Other avenues include: Sears, 33%; department stores, 30%; specialty stores carrying exclusively big & tall sizes, 30%; men's stores, 25%; JCPenney, 22%; mail order catalogs, 15%; factory outlets, 8%; and Montgomery Ward, 6%.

Clearly, the figures show that the mass market is where the action is in big and tall men's wear. Altogether discount stores, Sears and Montgomery Ward comprise more than half the market for large size men's clothing.

According to the survey,

purchases of big & tall apparel across the United States break down as follows: in the East, 60%; in the West, 59%; in the South, 50%; and in the Midwest, 41%.

Many retailers will not have a specific big & tall department but rather carry extended sizes of men's wear. One such retailer is Canton, Mass.-based Hills. At Hills, the men's department carries sizes on average up to 44 and 46, according to Jim Feldt, vice president, gmm of softlines.

Feldt noted that the big & tall customer at Hills wants what's "basic in nature," and the discounter provides just that. Its men's department carries the basic clothing items, such as fleecewear, flannel shirts, quilted flannels, shaker sweaters, jeans, and outerwear. At Hills, the bigger sized items account for approximately 1% to 2%.

Target, based in Minneapolis, also does not have a big & tall men's department, although it carries a few extra large sizes in its sportswear, specifically, in tops.

Kmart, clearly an industry leader in large size men's market, has had a separate big & tall department for years. Currently, the department is in a "transitional" phase, according to a company spokesperson.

Big & Tall stores "expect sales for this year to reach \$75 million," said Alan Weinstein, chief financial officer. The 170-unit men's specialty store chain was recently acquired by J. Baker Inc. from Casual Male Corp. (DSN, Feb. 18, 1991, page 4). A reorganization of the company is underway.

MARKETWATCH

50-Off Set to Buy Back Securities

SAN ANTONIO, Texas — 50-Off Stores, Inc., reported that it has reached an agreement today with Caribbean Marine, Inc., the company's preferred stockholder and a principal holder of its Common Stock, to repurchase all of Caribbean Marine's equity securities in the company. The repurchase transaction is scheduled for February 22.

Caribbean Marine currently holds 300,000 shares of 50-Off's Series A 12% Cumulative Convertible Common Stock, and holds an additional 262,943 shares of

Common Stock. Caribbean Marine has agreed to convert its Preferred Stock and to then sell all of its shares of Common Stock to 50-Off in a transaction valued at approximately \$5,356,000.

According to 50-Off, funds for the transaction were raised by a concurrent private placement of 50-Off's Common Stock to nine institutional investors. Johnson Rice & Co. of New Orleans acted as placement agent for 50-Off.

Guy U. Griffith and Thomas Pauken, affiliates of Caribbean Marine and currently on 50-Off's Board of Directors, will resign their Board positions.

RCI, TKO Enter Retail Planning

MILLBURN, N.J. — Retail Consultants Inc. (RCI) and TKO have entered into a joint marketing agreement in which they will assist manufacturers, primarily in the apparel field, in setting up and operating retail outlets.

TKO's clients have included brands such as Swank, the men's apparel line, and Today's Child. The company provides a turnkey program for the opening of manufacturer's outlet stores, along with ongoing management and operational assistance.

RCI will provide manufac-

turers with independent analysis of their operation to determine the viability of a retail outlet. According to the company, the evaluation includes projections of start-up costs, sales and profits. For those already in the field, the firm will assess how the manufacturer can improve or expand their operations through merchandising and marketing.

Principals at both firms have extensive experience in retail. RCI chairman Richard Echikson has held senior positions at Macy's and the W.R. Grace Retail Group. Jack Hellman, president of TKO was previously Towle Manufacturing's director of stores.

Hit or Miss Hires Firm To Rename Apparel Chain

BOSTON, Mass.—Selame Designs, a public relations and consulting firm, has been retained by Hit or Miss to develop a new name for the off-price apparel chain.

Ben Cammarata, president of TJX Co., the Hit or Miss parent company, said the name change, along with a new management team, was part of the planned re-vamping of the ailing Hit or Miss chain.

Hit or Miss currently operates 584 stores nationwide.

INSIDE TECHNOLOGY

QR Boosts Distribution Systems

NEW YORK — It pays to use QuickResponse technology. That's the bottom line message from an Ernst & Young survey on the benefits that accrued to retailers using QR technologies in their distribution operations.

Peter Gilmartin, manager, Ernst & Young's National Retailer Service Group, explained that QR technologies "lead to a more efficient and quicker response in processing merchandise in warehouses and moving it to stores."

He noted that EDI "helps retailers better manage their inventory levels and more rapidly react to the needs of their stores." But Gilmartin added that QR technology isn't an operational panacea for a chain. "It's a question of how efficiently a chain uses these technologies."

The consulting/service firm developed statistics for DSN on QR benefits for 10 discounters and 14 specialty hard lines chains. The information (see charts), which was culled from Ernst & Young's just released survey of distributing, transportation and warehousing trends in retailing, showed the following:

Discounters that scanned merchandise into their warehouses turned goods an average of 3.5 times, 30.6% faster than the 2.68 average turns noted by chains that did not scan.

The average turnaround time for moving merchandise from the warehouse to stores for discounters that scanned was 3.75 days. The turnaround time for merchants that didn't scan wasn't comparable as one retailer reported a 90 day turnaround and another 24 days, making the average 21.42 days. When these two chains are factored out, the turnaround for non-scanning discounters drops to 2.7 days.

Discounters that used EDI technology in their warehouse operation had an average turn of 5.03, 84.9% greater than the average 2.72 turns for chains that didn't use EDI.

Using EDI technology resulted in discounters turning around warehouse goods in an average of 2.67 days. The poor turnaround performance of the two merchants skewed the results for chains that didn't deploy EDI to an average of 21.42 days, dropping to an average of 3.6 days when these retailers are factored out.

The impact of technology becomes more striking when the results for the discounters using QR are matched against the overall average results for the 10 merchants.

The 10 chains had an average 3.52 turns and took 13.9 days to turnaround merchandise in their warehouse.

The averages don't tell the whole story. The performance results for discounters that scanned warehouse merchandise

and used EDI technology were more consistent and showed less variations than retailers that didn't employ QR technologies.

The statistics for the specialty hard lines chains shows that scanning warehouse merchandise resulted in an average 5.25

turns, compared to an average of 3.65 turns for non-scanning retailers, while the turnaround of warehouse goods averaged 5.5 days using scanning against an average of six days for chains that did not scan.

Using EDI technology enables specialty hard lines

chains to achieve an average 3.39 turns, against an average of 4.07 turns for retailers that didn't use this technology. The warehouse turnaround for EDI retailers averaged six days against 6.44 days for non-EDI chains.

(Continued on page 25)

Technology Boosts Productivity For Discounters

	Scanned Merchandise Into the Warehouse				Use EDI Technology			
	Inventory Turns		Turnaround Time in Days		Inventory Turns		Turnaround Time in Days	
	Yes	No	Yes	No	Yes	No	Yes	No
Retailer 1	—	1.50	—	2.5	—	1.50	—	2.5
Retailer 2	—	3.71	—	3.0	—	3.71	—	3.0
Retailer 3	—	4.00	—	2.0	—	4.00	—	2.0
Retailer 4	—	—	—	—	7.80	—	2	—
Retailer 5	3.81	—	2	—	—	—	—	—
Retailer 6	—	1.80	—	90	—	1.80	—	90
Retailer 7	4.00	—	3	—	4.00	—	3	—
Retailer 8	2.90	—	7	—	—	2.90	—	7
Retailer 9	3.30	—	3	—	3.30	—	3	—
Retailer 10	—	2.40	—	24	—	2.40	—	24
Average	3.50	3.35	3.75	24.30	5.03	2.72	2.67	21.42

Source: Ernst & Young

An Ernst & Young survey found that discounters and specialty hard lines retailers that use QuickResponse technologies—scanning goods into a warehouse and EDI communications—operate more productive warehousing and distribution systems.

VICS Approves New EDI Transaction Sets

DAYTON, Ohio — VICS has approved seven new electronic data interchange (EDI) transaction sets as part of its ongoing mission to develop QuickResponse standards that will enable the greatest number of retailers and manufacturers to implement this technology.

Transaction sets are generic EDI formats that allow retailers and vendors to talk to each other electronically using standardized business forms and languages. VICS EDI transaction sets are formats specifically developed for retailers and vendors.

The seven new transaction sets will be included in the 1991 edition of VICS' Retail

Industry Conventions and Implementations Guidelines for EDI coming out next month. The edition, Version 003, Release 10, contains all 17 retail transaction sets approved by VICS and ANSI's ASC X12, which developed the North American electronic communications standard.

The new transaction sets are:

- Set 820-Payment/Order Remittance Advice. This protocol is used to instruct a financial institution to make a payment, report the completion of the payment and provide advice on payments.
- Set 830-Planning Schedule with Release Capability. A

(Continued on page 25)

Technology Boosts Productivity For Specialty Hard Lines

	Scanned Merchandise Into the Warehouse				Use EDI Technology			
	Inventory Turns		Turnaround Time in Days		Inventory Turns		Turnaround Time in Days	
	Yes	No	Yes	No	Yes	No	Yes	No
Retailer 1	—	4.70	—	4	—	4.70	—	4
Retailer 2	—	4.00	—	2	—	4.00	—	2
Retailer 3	—	2.10	—	7	—	2.10	—	7
Retailer 4	—	3.24	—	7	3.24	—	7	—
Retailer 5	—	5.40	—	5	—	5.40	—	5
Retailer 6	—	3.70	—	5	—	3.70	—	5
Retailer 7	—	3.00	—	5	—	3.00	—	5
Retailer 8	8.10	—	7	—	—	6.10	—	7
Retailer 9	—	4.20	—	3	4.20	—	3	—
Retailer 10	—	4.20	—	1	—	—	—	—
Retailer 11	—	1.70	—	8	—	1.70	—	8
Retailer 12	—	1.70	—	10	1.70	—	10	—
Retailer 13	4.4	—	4	—	4.40	—	4	—
Retailer 14	—	5.90	—	15	—	5.90	—	15
Average	5.25	3.65	5.50	6.00	3.39	4.07	6.00	6.44

Source: Ernst & Young

INSIDE TECHNOLOGY

UPCs Set for Bulk and Random Weight Products

NEW YORK — Ten thousand UPC numbers are now available for bulk and random weight products, including envelopes for photo prints.

Number System Charter (NSC) 2 identifies a random weight item. The NSC digit is found on the extreme left of the UPC code, alongside the bars. The 10-number UPC describes the specific merchandise and the price as calculated by a printing scale.

Photo prints is the only general merchandise category included in the random weight UPC code.

The other classifications are supermarket merchandise: seafood, meat, dairy, bakery

and produce items.

The 10-digit UPC—two groups of five numbers each—breaks down as follows:

The five numbers on the left include the first digit as the packager code and the next four numbers as the identifier for the specific item.

Most, if not all, bulk merchandise is packaged at store level, but the standard code includes the flexibility to identify vendors in the rare cases where they supply bulk weight goods.

Within the single digit packager code, the four numerals zero through three indicate that the retailer packaged the item. The other six numerals

would indicate that a vendor—manufacturer, distributor or packager—packaged the goods.

The remaining four numerals—the second through fifth digits of the 10-number code—identify individual items. The retailer is responsible for assigning these numerals, using standard ranges of numbers for specific categories.

Eight associations assigned ranges of numbers for different categories. These associations and the range of numbers are:

National Turkey Federation, 576 numbers; National Broiler Council (poultry) 524; National Livestock & Meat

Board (beef, veal, lamb, pork), 3,000; Produce Electronic Identification Board, 949; Photo Marketing Association International, 40; International Dairy-Deli Association (bakery, cheese, dairy-deli), 3,324; National Fisheries Institute, 1,576, and the Uniform Code Council, which is holding 11 numbers in reserve for future use.

On the right side, the first of the five numerals is a price check digit, while the remaining four numbers encode the item's retail price. Various

companies manufacture equipment that weighs merchandise and prints a UPC label.

Development of the standardized bulk goods codes was spurred by supermarket industry groups, specifically the Produce Marketing Association and the Produce Electronic Identification Board. But the codes are important to membership warehouses and hypermarkets, which sell supermarket goods as well as a number of discounters that are expanding their mix of food merchandise.

QR Boosts Distribution Operations

(Continued from page 24)

The specific performances of the specialty hard lines merchandise showed greater variation, whether or not they used QR technologies, than discounters because of the diverse types of hard lines chains surveyed by Ernst & Young, Gilmartin said.

The consulting firm conducted its basic study for the

National Retail Federation's *Stores* magazine. It indicated that discounters overall recognized the benefits of using QR technologies in their warehouse and distribution operations.

While only 44% of the discounters currently scan goods going into their warehouse, 86% said they planned to use this technology. Only

33% used EDI in their distribution system, but 86% indicated they planned to do so.

A similar situation prevailed among the specialty hard line merchants. Thirteen percent already scanned warehouse merchandise, but 77% planned to do so. While 29% current use EDI technology, 75% said they planned to do so.

VICS Approves New EDI Transaction Sets

(Continued from page 24)

highly flexible set, 830 covers forecasts of orders, including ship/delivery patterns and allocation of resources. The order release feature eliminates the need for discrete generation of purchase orders.

• Set 840-Request for Quotation. Potential buyers will use this set to solicit price, delivery schedule and other information from potential sellers of goods and services.

• Set 843-Response to Request for Quotation. This standard provides potential buyers with the price, delivery schedule and other terms from potential sellers.

• Set 852-Product Activity Data. This set allows a retailer or distributor to provide inventory, sales and other product activity information to a trading partner. The information enables the trading partner to plan and ship or propose inventory replenishment quantities. Maintenance of some type of inventory/product movement records is needed to establish replenishment calculations.

• Set 855-Purchase Order Acknowledgment. This transaction set provides for customary and established business and industry practices relating to the acknowledgment of

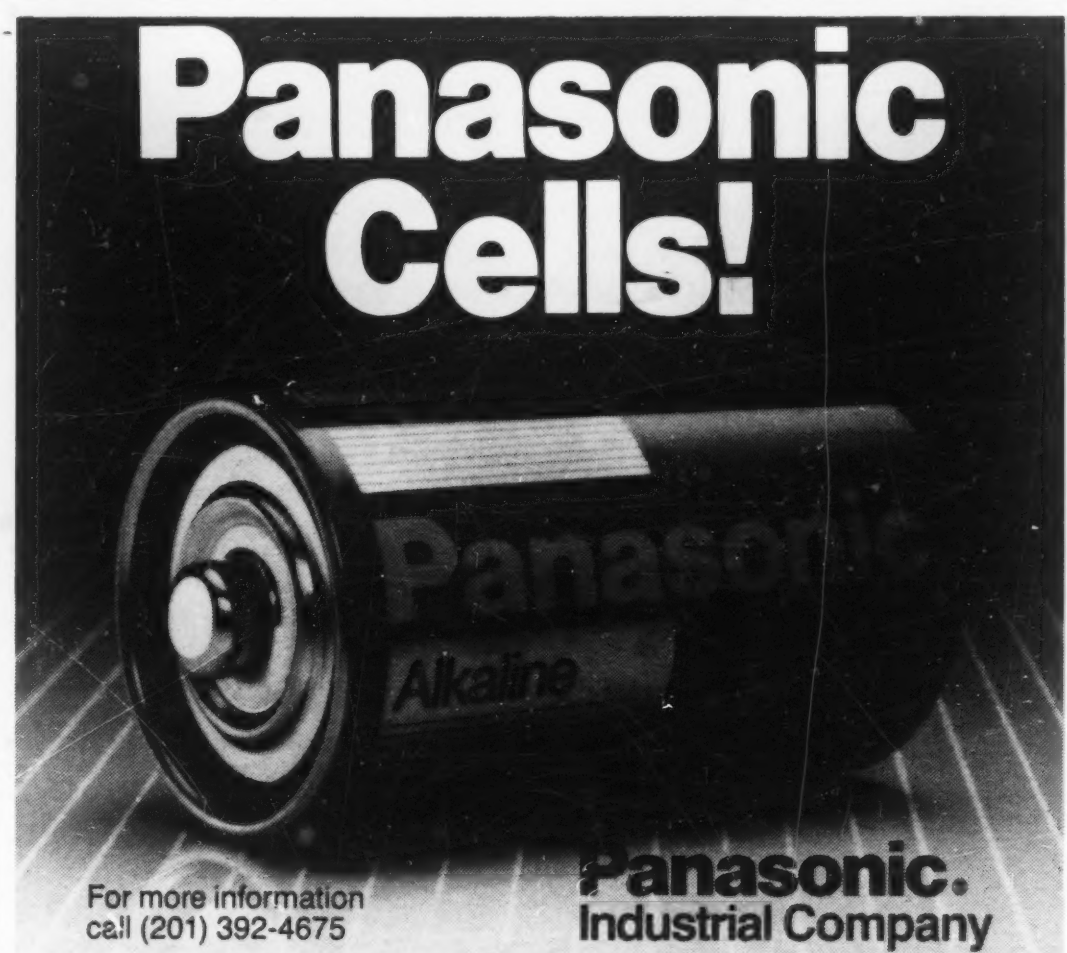
purchase orders.

• Set 864-Text Message. This standard provides users with the means to electronically transmit messages, contracts and other one-time communications in human readable, rather than computer, forms.

The seven new transaction sets were developed by VICS standards maintenance committee, which has a number of subcommittees, each focused on specific EDI protocols. VICS members—retailers and manufacturers—submit requests for transaction sets, based on their experience and need for uniform formats to conduct business electronically with different trading partners.

The new transaction sets—as well as the previously approved protocols—are included in the EDI communication software that is available from various software vendors. This software enables retailers and manufacturers to communicate electronically with each other, using the standardized formats, regardless of the hardware they use to process information.

The 800-page Guideline, which contains all 17 VICS EDI transaction sets, is available from the Uniform Code Council, which is the secretariat for VICS; publishes manuals, answers technical questions and assigns specific EDI communications numbers to retailers and manufacturers. The UCC's phone number is (513)435-3870.



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Kmart Eyeing BJ's, HomeClub

Speculation Surrounds Acquisition of Waban Units

(Continued from page 1)

Sumner Feldberg, chairman of Waban, said in a phone interview from his vacation home in Boca Raton, Fla., that he hadn't heard anything about a Kmart buyout. "I doubt there's anything to the rumors."

The Feldberg family holds a substantial percentage of outstanding Waban stock.

Institutional investors also are major stockholders, said Neil Nordby, president of Nordby International, Boulder, Colo.

Any purchaser of Waban would have to pay a premium above the market value of \$14.75 per share (as of Feb. 14, 1991) to persuade them to tender their shares, Nordby said.

With 28.5 million shares outstanding, the total market value of Waban is about \$420 million, or less than the \$512 million value June 14, 1989, when Zayre Corp., now TJX Cos., spun it off to its stockholders.

BJ's operates 27 units, following the closing of its Toledo, Ohio, unit in December for conversion to a HomeClub. HomeClub operates 66 home centers, 67 when the Toledo conversion opens in the spring.

Each division of Waban plans to open five or six units in 1991.

Sales for BJ's rose to \$794.4 million for the nine months ended Oct. 27, 1990, from \$687.6 million in the same span of 1989. Operating income, however, plunged to \$3.3 million from \$9.6 million.

And Waban's stock also nosedived, leveling off at \$4.63.

In 1989, Waban logged revenues of \$984.6 million, a 20% gain from \$817.2 million in 1988.

Operating profits for BJ's doubled in 1989 to \$18.6 million from \$9.4 million the year before. In 1987, BJ's had lost \$4.8 million on operations.

The improvement last year, however, came largely because BJ's switched to a mandatory group membership fee of \$25, boosting fourth quarter revenues.

Previously, individuals paid no membership fee to join the club, but they did have to pay a 5% surcharge over prices charged to business members. Waban acknowledged that the switch would hurt profits in the first three quarters of 1990 because BJ's would lose the 5% surcharge revenue. Results for the fourth quarter will reflect fee income from

group membership renewals.

Even with the increase in 1989 operating results, the 1.89% operating profit margin for BJ's was only half that of Price Club, which recorded operating profits at 3.68% of revenues.

Real estate is the main appeal of BJ's, Nordby said. "BJ's has many attractive properties in the Northeast," Nordby said, and a shortage of such multiacre sites with ample parking exists in the region.

HomeClub, based in Fullerton, Calif., would fit into Kmart's home center strategy. In January, Kmart closed the Los Angeles buying office of its 143-unit Builders Square home center subsidiary and has closed two of six California stores over the past 12 months.

Because of the equity in the HomeClub name in the Golden State (a weak area for Builders Square), it is unlikely Kmart will convert them to Builders Square units.

Conversely, Pace is converting Price Savers units to the Pace format, as it did the Makro units that Kmart acquired.

Wal-Mart is converting the Wholesale Club units to Sam's.



Will BJ's Wholesale Club, the last of the regionals, be swallowed up by Kmart's Pace? (DSN photo)

Berk Joins BizMart's Management Team

(Continued from page 7)

ever, the company lost \$772,000 in the quarter, including a one-time charge of \$850,000 connected to the closing of two Houston stores.

For the nine months ended Jan. 26, BizMart sales rose 107% to \$181.4 million, with a net loss of \$1.6 million. The firm lost \$1.7 million during the same period last year.

"We experienced good sales comparisons for the quarter even though store traffic counts and average ticket amounts were affected by our customers' higher than normal level of uncertainty caused by the Persian Gulf War and the current U.S. recession," CEO Stegall reported. "But even with these events, sales of our 25 comparable stores . . . increased 14% from a year ago."

Gross margins increased 0.5% to 22%, Stegall added, explaining that "pricing returned to more normal levels as competitive conditions became more rational, especially in the Dallas and Houston markets." Despite the two Houston closings, BizMart

plans to open another store there in late March, with a projected 57 stores open by the end of April.

BizMart operates stores in Texas, Missouri, Kansas, Colorado, Arizona, Nevada, New Mexico, Utah, Oregon and California.

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